

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 DODE-00 /081 W

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R 151755Z AUG 75

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 1644

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E.O. 11652: N/A

TAGS: EINV, ECON, ETRD, GY

SUBJECT: GOG OFFICIALLY ADVISES EMBASSY OF THE PLAN TO NATIONALIZE
GUYTRAC

REF: GEORGETOWN 1344

1. MIN TRADE GEORGE KING MET WITH AMBASSADOR AND ECONOFF YESTERDAY
(8/14) AND DECLARED THAT GOG HAD DEFINITELY DECIDED TO PURCHASE
GUYTRAC'S ASSETS, SPECIFICALLY IN ORDER TO OBTAIN CATERPILLAR AGENCY.

AT THE OUTSET KING EMPHASIZED THAT GOG WAS DISSATISFIED WITH
THE QUALITY OF GUYTRAC'S SERVICE. HE ALLEGED THAT THE COMPANY WAS
RUNNING DOWN ITS INVENTORY OF SPARE PARTS, AND THAT STANDARD OF
MAINTENANCE WAS DETERIORATING. HE SAID GUYA BAUXITE COMPANY
(GUYBAU) PERSONNEL WERE IN FACT CARRYING OUT REPAIR WHICH GUYTRAC
SHOULD ORDINARILY DO.

2. KING OTHERWISE COVERED GENERALLY SAME GROUND AS HAD SPROSTONS
MANAGER IN CONVERSATION WITH AMBASSADOR (REFTEL). KING, HOWEVER,
INTERPRETED LETTER OF CREDIT REQUIREMENT RECENTLY IMPOSED BY CATER-
PILLAR AS AN ACT OF RETALIATION. AMBASSADOR EXPLAINED THAT GUYTRAC
HAD ITS OWN LINE OF CREDIT FROM CATERPILLAR, BACKED BY ALCAN,
AND NOW THAT GUYTRAC'S EXISTENCE IS IN JEOPARDY THE CREDIT LINE MAY

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HAVE BEEN WITHDRAWN. KING REPLIED THAT INDEED IT HAD, AND IN FACT

HE LEARNED IN CONVERSTION WITH ALCAN VICE PRESIDENT RECENTLY THAT ALCAN IS LEAVING SPROSTONS FINANCIALLY HIGH AND DRY.

3. IN ATTEMPT TO DEMONSTRATE GOG DESIRE FOR AMICABLE SETTLEMENT, KING NOTED THAT ONCE GOG TOOK OVER CATERPILLAR AGENCY, THE U.S. COMPANY WAS ASSURED OF GETTING ALL GOG (AND PROBABLY OTHER) BUSINESS IN HEAVY EXCAVATING EQUIPMENT. HE ALSO SAID THAT AS A QUOTE SECOND POSITION UNQUOTE IN THE EVENT CATERPILLAR DOES NOT RPTNOT WANT TO DO BUSINESS IN GUYANA UNDER THE NEW ARRANGEMENT, GOG WILL ATTEMPT TO SELL OFF ITS CATERPILLAR EQUIPMENT TO WORLD MARKET AND BUY JAPANESE OR OTHER GOODS TO REPLACE IT.

4. KING SAID HE WOULD SEND CABLE TO CATERPILLAR TODAY (8/15) REQUESTING THAT COMPANY OFFICIALS MEET WITH GOG. IN ADDITION, GUYBAU'S DEPUTY CHIEF EXECUTIVE OFFICER (SAUL) HAS BEEN DIRECTED TO PROCEED TO PEORIA FROM LONDON WHERE HE IS NOW ON OTHER BUSINESS.

5. WHEN ASKED HOW NEW AGENCY WOULD BE ORGANIZED, KING REPLIED THAT IT WOULD BE PART OF THE GUYANA STATE CORPORATION GROUP (GUYSTAC) BUT THAT FIFTY PERCENT OF THE EQUITY WOULD BE HELD BY GUYBAU. IN ADDITION, HE EXPRESSED GOG'S HOPE THAT CATERPILLAR WOULD AGREE TO KEEP AGENCY IN GUYANA, AND THAT IT WOULD SEND TECHNICIANS HERE TO SUPERVISE LONG-TERM TRAINING OF AGENCY AND GUYBAU PERSONNEL. AS AN ADDED SOP, KING SAID THAT GOG HAS ORDERS READY FOR USDOLS FIVE MILLION ADDITIONAL CATERPILLAR EQUIPMENT, BUT IS HOLDING UP PENDING OUTCOME OF AGENCY TAKEOVER.

6. COMMENT: GOG IS OBVIOUSLY BOTH ANNOYED AND FEARFUL OF CATERPILLAR REACTION TO NATIONALIZATION MOVE. RELATIONSHIP OF CATERPILLAR TO ALCAN (ONE OF ITS BETTER CUSTOMERS) WILL BEAR HEAVILY ON THE FORMER'S DECISION REGARDING AGENCY AND MAINTENANCE FACILITY IN GUYANA. PERHAPS COMPANY IS AWAITING GREEN LIGHT FROM ALCAN WHICH SHOULD COME AS SOON AS SATISFACTORY SETTLEMENT PRICE IS ARRIVED AT. THIS SHOULD NOT RPT NOT BE MAJOR TUMBLING BLOCK BECAUSE GOG HAS ALREADY AGREED TO PAY AT GOING VALUE OR AS KING PUT IT QUOTE FAIR MARKET VALUE UNQUOTE. SUGGEST DEPT CONTACT CATERPILLAR REPS TO DETERMINE JUST HOW HEAVY-HANDED COMPANY PLANS TO BE IN THIS CASE, ESPECIALLY IF ALCAN IS AMENABLE TO FAIR PURCHASE OF ITS GUYTRAC SUBSIDIARY. WHILE WE DO NOT RPT NOT BELIEVE KING'S SECOND POSITION (PARA THREE) IS REALISTIC, GOG COULD VERY WELL OVER A LONG LIMITED OFFICIAL USE

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PERIOD PHASE OUT OF U.S. MACHINERY IF SUFFICIENTLY PROMPTED TO DO SO.

MATTHEWS

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